

Executive Summary

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The purpose of this section is to present estimated operating revenues and expenses associated with a minor league baseball team and new ballpark in Wilmington. The assumptions used in this analysis are based on the results of the market analysis, industry data and financial results from comparable teams/ballparks.

This presentation is designed to assist the City in understanding the financial attributes of a minor league baseball franchise and a new ballpark and should not be considered to be a presentation of actual future results. Accordingly, this analysis may not be useful for any other purpose. The assumptions disclosed herein are not all inclusive, but are those deemed to be significant; however, there will be differences between estimated and actual results, which may be material.

Key assumptions used to estimate the potential financial operations of a minor league baseball team and new ballpark in Wilmington include, but are not limited to the following:

- A new ballpark will have a capacity of approximately 6,000 seats, including approximately 3,500 fixed seats, 1,000 premium and group sales seats and 1,500 lawn seats;
- A new ballpark will be developed as a quality, state-of-the-art venue and would accommodate the needs of various users as well as meet Minor League Baseball and Carolina League standards;
- A Carolina League baseball team affiliated with the Atlanta Braves will serve as the primary tenant in the ballpark an initial term of 20 years with two five (5) year renewal options;
- Class A professional baseball will continue to exist in its present format in terms of its game schedule and MLB affiliation;
- The team and ballpark will be managed by Mandalay Baseball Properties and will be aggressively marketed;
- A new ballpark will be owned by the City of Wilmington, or some other public entity, and will be exempt from property taxes. However, due to a long-term lease, it is assumed that the Braves/Mandalay would make property tax payments to the City and County year;
- The minor league baseball team would retain all revenues and pay all expenses associated with ballpark operations (with the exception of major maintenance and capital repairs, which would be the responsibility of both the team and the City);
- The minor league baseball team would pay annual rent in the amount of \$400,000, adjusted annually for changes in the Consumer Price Index.

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- The market will generate spending on tickets, concessions, novelties, sponsorships/advertising and premium seating that is consistent with Class A franchises playing in similar markets with modern ballparks;
- Ample parking will be available to accommodate demand (on-site or off-site within walking distance);
- The ballpark site will be conducive to providing a pleasant fan experience (i.e. efficient traffic ingress/egress; convenient, affordable parking; etc.);
- Unknown future economic conditions will not adversely affect the market and its response to minor league baseball (i.e. visitation levels, population levels, employment levels, etc.); and,
- There will be no significant or material changes in the supply or quality of existing venues in the marketplace.

The presentation of estimated operating results is comprised of the following components:

- Operating Revenues;
- Operating Expenses; and,
- Summary.

Additional physical development planning must be completed before more precise estimations of the team and ballpark operating costs can be made. Also, upon completion of preliminary planning, revenue and expense assumptions should be updated to reflect changes to the assumptions made herein. These changes could significantly affect the analysis of future operating results.

### Operating Revenues

Revenue generated by the operations of the a minor league baseball franchise and new ballpark will likely consist of ticket sales, food and beverage, sponsorships, premium seating, naming rights, merchandise, parking, non-tenant events and other revenue sources. A description of each revenue source is provided below.

#### *Ticket Sales*

Ticket sales will comprise one of the largest revenue sources for a minor league baseball team playing in a new ballpark in Wilmington. Ticket revenue is a function of paid attendance and ticket prices. Attendance and ticket price assumptions were developed based on an analysis of historical ticket prices for comparable minor league baseball

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teams, survey results and the attendance and ticket sales impacts realized by other similar minor league baseball teams moving into a new ballpark.

The following table summarizes the assumptions used to estimate ticket sales through the first five years of operations of a minor league baseball team in a new ballpark in Wilmington.

**Estimated Ticket Revenues  
Wilmington Braves**

	Inaugural Year				Stabilized Year
	2014	2015	2016	2017	2018
Games	68	68	68	68	68
Average Paid Attendance per Game:					
Suites	187	187	187	187	187
Club Seats	210	210	210	210	210
Party Decks	100	90	80	70	60
Picnic / Hospitality	170	160	150	140	130
General Fixed Seating	2,633	2,478	2,323	2,168	2,013
Lawn Seating	700	675	650	625	600
Total Paid Attendance per Game	4,000	3,800	3,600	3,400	3,200
Average Ticket Price: (1)					
Suites	\$18.00	\$18.54	\$19.10	\$19.67	\$20.26
Club Seats	\$18.00	\$18.54	\$19.10	\$19.67	\$20.26
Party Decks	\$14.00	\$14.42	\$14.85	\$15.30	\$15.76
Picnic / Hospitality	\$12.00	\$12.36	\$12.73	\$13.11	\$13.51
General Fixed Seating	\$9.00	\$9.27	\$9.55	\$9.83	\$10.13
Lawn Seating	\$6.00	\$6.18	\$6.37	\$6.56	\$6.75
Total Ticket Revenue, net of taxes	\$2,616,640	\$2,568,717	\$2,515,564	\$2,456,909	\$2,392,472
Team's Share	100%	100%	100%	100%	100%
<b>Team's Net Ticket Revenue</b>	<b>\$2,616,640</b>	<b>\$2,568,717</b>	<b>\$2,515,564</b>	<b>\$2,456,909</b>	<b>\$2,392,472</b>

(1) Represents weighted average of season ticket, mini plans and single game ticket prices. Prices are assumed to increase 3% per year.

The baseball team's paid attendance is estimated to be 4,000 per game during the inaugural season in a new ballpark, decreasing to approximately 3,200 per game by a stabilized (fifth year) of operations after the novelty of a new ballpark subsides.

Average ticket prices are based on a mix of season ticket, mini plan and single game ticket prices (adult and child) and are estimated to range from \$6.00 for general admission lawn seats to \$18.00 for suite seats and club seats in the inaugural year in a new ballpark in Wilmington.

Total annual ticket revenue generated by the baseball team is estimated to be approximately \$2.6 million in the first year of ballpark operations decreasing to approximately \$2.4 million by the fifth (stabilized) year of operations.

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### *Food & Beverage*

Food and beverage revenue consists of sales of various items at permanent and portable concession stands in the main concourse, sales at group outings and catering in suites and the club lounge. Revenue assumptions are based on estimated event levels and turnstile attendance, historical concession spending at comparable new minor league ballparks and discussions with national concessionaries.

The following table summarizes the estimated food and beverage revenue that could be generated from minor league baseball games during the first five years of operations in a new ballpark in Wilmington.

**Estimated Food & Beverage Revenues  
Wilmington Braves**

	<div style="display: flex; justify-content: space-between; align-items: center;"> <span>Inaugural Year</span> <span>←————→</span> <span>Stabilized Year</span> </div>				
	2014	2015	2016	2017	2018
Games	68	68	68	68	68
Average Turnstile Attendance per Game:					
Suites	150	150	150	150	150
Club Seats	170	170	170	170	170
Party Decks	80	70	60	60	50
Picnic / Hospitality	140	130	120	110	100
General Fixed Seating	2,100	1,940	1,880	1,710	1,650
Lawn Seating	560	540	520	500	480
Total Turnstile Attendance per Game	3,200	3,000	2,900	2,700	2,600
Average Food & Beverage Spending Per Capita:					
Suites	\$15.00	\$15.45	\$15.91	\$16.39	\$16.88
Club Seats	\$12.00	\$12.36	\$12.73	\$13.11	\$13.51
Party Decks	\$10.00	\$10.30	\$10.61	\$10.93	\$11.26
Picnic / Hospitality	\$10.00	\$10.30	\$10.61	\$10.93	\$11.26
General Fixed Seating	\$7.50	\$7.73	\$7.96	\$8.20	\$8.44
Lawn Seating	\$7.50	\$7.73	\$7.96	\$8.20	\$8.44
Gross Food & Beverage Revenue	\$1,797,920	\$1,743,296	\$1,737,882	\$1,676,702	\$1,665,776
Profit Margins:					
Suites	25%	25%	25%	25%	25%
Club Seats	35%	35%	35%	35%	35%
Party Decks	45%	45%	45%	45%	45%
Picnic / Hospitality	55%	55%	55%	55%	55%
General Fixed Seating	55%	55%	55%	55%	55%
Lawn Seating	55%	55%	55%	55%	55%
Net Food & Beverage Revenue	\$909,772	\$878,056	\$873,377	\$837,255	\$829,463
Team Share	100%	100%	100%	100%	100%
<b>Team Food &amp; Beverage Revenue</b>	<b>\$909,772</b>	<b>\$878,056</b>	<b>\$873,377</b>	<b>\$837,255</b>	<b>\$829,463</b>

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The minor league baseball team's turnstile attendance is estimated to be 3,200 per game during the inaugural season in a new ballpark in Wilmington, decreasing to approximately 2,600 per game by a stabilized (fifth year) of operations. Turnstile attendance represents the actual attendance at games and typically differs from paid attendance due to no-shows and the issuance of complimentary tickets (for select promotions, player guest lists, etc.).

Gross food and beverage per capita spending are estimated to range from \$7.50 per person for general admission attendees to \$15.00 per person for suite patrons in the inaugural year in a new ballpark. Gross food and beverage sales are estimated to approximate \$1.8 million in year one, decreasing slightly to \$1.7 million by the fifth (stabilized) year of operations.

In order to determine the net proceeds generated by food and beverage sales, it is important to account for the cost of food and labor. Based on discussions with national concessionaires, typical profit margins associated with food and beverage sales at minor league ballparks range from 25 percent of suite catering to 55 percent for general concessions.

Net food and beverage revenues generated for the minor league baseball team in a new ballpark are estimated to be \$909,772 in year one, decreasing to \$829,463 by the fifth (stabilized year) of operations.

### *Sponsorships*

Minor league ballparks provide numerous opportunities to generate advertising and sponsorship revenue. Revenues can be generated from scoreboard signage, outfield fence signage, concourse and seating bowl signage, electronic messages, in-game promotions, media guide and pocket schedule advertisements, public address system announcements and other opportunities.

In a new ballpark, it is estimated that the minor league baseball team could generate approximately \$1.4 million in annual advertising/sponsorship revenue. After fulfillment costs of approximately 10 percent per year, net advertising/sponsorship revenue is estimated to total approximately \$1.3 million in year one, increasing three percent annually thereafter.

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### Premium Seating

It is anticipated that a new ballpark would include up to 14 private suites and 250 club seats. The following table summarizes the estimated suite premium revenue that could be generated in a new ballpark during the first five years of operations.

### Estimated Suite Premium Revenue Wilmington Braves

	<div style="display: flex; align-items: center; justify-content: space-between;"> <span>Inaugural Year</span> <span>←————→</span> <span>Stabilized Year</span> </div>				
	2014	2015	2016	2017	2018
<b>Regular Suites</b>					
Inventory	10	10	10	10	10
Number Sold	8	8	8	8	8
Average Annual Price	\$30,000	\$30,900	\$31,827	\$32,782	\$33,765
Less Tickets	(\$20,160)	(\$20,765)	(\$21,388)	(\$22,029)	(\$22,690)
Net Annual Premium per Suite	\$9,840	\$10,135	\$10,439	\$10,752	\$11,075
Total suite revenue	\$78,720	\$81,082	\$83,514	\$86,019	\$88,600
<b>Dugout Suites</b>					
Inventory	2	2	2	2	2
Number Sold	2	2	2	2	2
Average Annual Price	\$35,000	\$36,050	\$37,132	\$38,245	\$39,393
Number of suites	(\$20,160)	(\$20,765)	(\$21,388)	(\$22,029)	(\$22,690)
Net Annual Premium per Suite	\$14,840	\$15,285	\$15,744	\$16,216	\$16,703
Total suite revenue	\$29,680	\$30,570	\$31,488	\$32,432	\$33,405
<b>Private Party Suites</b>					
Number of suites	2	2	2	2	2
Average seats per suite	20	20	20	20	20
Total ticketed events per year	68	68	68	68	68
Percentage sold	67%	67%	67%	67%	67%
Annual suites rentals	91	91	91	91	91
Average price per game	\$700	\$721	\$743	\$765	\$788
Less Tickets	(\$360)	(\$371)	(\$382)	(\$393)	(\$405)
Net Premium per Game	\$340	\$350	\$361	\$372	\$383
Total suite revenue	\$30,827	\$31,751	\$32,704	\$33,685	\$34,696
<b>Total Suite Premiums</b>	<b>\$139,227</b>	<b>\$143,403</b>	<b>\$147,706</b>	<b>\$152,137</b>	<b>\$156,701</b>

It is anticipated that 8 of the 10 regular suites would be sold on an annual basis (\$30,000 per suite), both dugout suites would be sold on an annual basis (\$35,000 per suite) and that the two party suites would be sold for two-thirds of the minor league baseball games (\$700 per game), generating \$139,227 in annual net premium revenues in the inaugural year of operations, increasing to \$156,701 by the fifth (stabilized) year of operations.

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The following table summarizes the estimated club seat premium revenue that could be generated in a new ballpark during the first five years of operations.

### Estimated Club Seat Premium Revenue Wilmington Braves

	Inaugural Year				Stabilized Year
	2014	2015	2016	2017	2018
<b>Crown Club Seats</b>					
Inventory	50	50	50	50	50
Number Sold	40	40	40	40	40
Average Annual Price	\$1,750	\$1,803	\$1,857	\$1,912	\$1,970
Less Tickets	(\$1,260)	(\$1,298)	(\$1,337)	(\$1,377)	(\$1,418)
Net annual premium per seat	\$490	\$505	\$520	\$535	\$551
Estimated Annual Club Seat Premiums	\$19,600	\$20,188	\$20,794	\$21,417	\$22,060
<b>Table Club Seats</b>					
Inventory	50	50	50	50	50
Seats per table top	4	4	4	4	4
Total table top club seats	200	200	200	200	200
Percentage sold	85%	85%	85%	85%	85%
Total table tops sold	43	43	43	43	43
Average Annual Price	\$6,500	\$6,695	\$6,896	\$7,103	\$7,316
Less Tickets	(\$5,040)	(\$5,191)	(\$5,347)	(\$5,507)	(\$5,673)
Net annual premium per 4-top	\$1,460	\$1,504	\$1,549	\$1,595	\$1,643
Estimated Annual Club Seat Premiums	\$62,050	\$63,912	\$65,829	\$67,804	\$69,838
<b>Total Club Seat Premiums</b>	<b>\$81,650</b>	<b>\$84,100</b>	<b>\$86,622</b>	<b>\$89,221</b>	<b>\$91,898</b>

It is estimated that 40 of 50 Crown Club seats would be sold at an average annual price of \$1,750, including tickets and parking and that 85 percent of 50 four-top club tables would be sold at an annual price of \$6,500, including tickets and parking, generating \$81,650 in annual net premium revenues in the inaugural year of operations, increasing to \$91,898 by the fifth (stabilized) year of operations.

Overall, combined suite and club seat net premium seating revenue is estimated to total \$365,000 in the first year of operations, increasing to \$410,811 by a stabilized year of operations.



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### *Naming Rights*

A new ballpark could generate revenue through the sale of facility naming rights. The following table presents a summary of naming rights terms for several comparable ballparks.

**Recent Naming Rights Agreements  
Comparable Ballparks**

Ballpark	Location	Team	Total Price	Term Length	Annual Value	Year Negotiated
NewBridge Bank Ballpark	Greensboro, NC	Greensboro Grasshoppers	\$3,000,000	10	\$300,000	2007
Applebee's Park	Lexington, KY	Lexington Legend	\$3,000,000	10	\$300,000	2001
Parkview Field	Fort Wayne, IN	Fort Wayne Tin Caps	\$3,000,000	10	\$300,000	2009
Clipper Magazine Stadium	Lancaster, PA	Lancaster Barnstormers	\$2,500,000	10	\$250,000	2004
Fifth Third Field	Dayton, OH	Dayton Dragons	\$4,500,000	20	\$225,000	2000
FirstEnergy Park	Lakewood, NJ	Lakewood Blue Claws	\$4,500,000	20	\$225,000	2001
Bright House Networks Field	Clearwater, FL	Clearwater Threshers	\$1,700,000	10	\$170,000	2004
BB&T Bank Field	Winston-Salem, NC	Winston-Salem Dash	undisclosed	15	undisclosed	2010
<b>Average</b>			<b>\$3,171,429</b>	<b>13</b>	<b>\$252,857</b>	<b>2005</b>

Source: Industry publications, interviews

Comparable ballpark naming rights agreements ranged from 10 to 20 years in length and with annual values ranging from \$170,000 to \$300,000 per year. Overall, the average comparable ballpark naming rights agreement was for an average of 13 years with an annual value of \$252,857. Several of the most recent naming rights deals at comparable venues have an annual value of \$300,000.

It is estimated that a new ballpark could generate gross naming rights revenue of approximately \$300,000 per year. Allowing 10 percent for fulfillment costs (\$30,000), it is estimated that a new ballpark could generate approximately \$270,000 in net naming rights revenue, increasing three percent per year.

### *Merchandise*

Merchandise sales consist of clothing, souvenirs, programs and other miscellaneous items sold during minor league baseball games. Revenue assumptions are based on estimated event and attendance levels, historical per capita merchandise spending at Minor league baseball games, merchandise spending at comparable ballparks and discussions with national merchandisers.

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The following table summarizes the estimated merchandise revenue that could be generated by the minor league baseball team in the first five years of operations in a new ballpark.

### Estimated Merchandise Revenues Wilmington Braves

	Inaugural Year				Stabilized Year
	2014	2015	2016	2017	2018
Games	68	68	68	68	68
Average Turnstile Attendance per Game:					
Suites	150	150	150	150	150
Club Seats	170	170	170	170	170
Party Decks	80	70	60	60	50
Picnic / Hospitality	140	130	120	110	100
General Fixed Seating	2,100	1,940	1,880	1,710	1,650
Lawn Seating	560	540	520	500	480
Total Turnstile Attendance per Game	3,200	3,000	2,900	2,700	2,600
Average Merchandise Spending Per Capita:					
Suites	\$1.00	\$1.03	\$1.06	\$1.09	\$1.13
Club Seats	\$1.00	\$1.03	\$1.06	\$1.09	\$1.13
Party Decks	\$1.00	\$1.03	\$1.06	\$1.09	\$1.13
Picnic / Hospitality	\$1.00	\$1.03	\$1.06	\$1.09	\$1.13
General Fixed Seating	\$1.00	\$1.03	\$1.06	\$1.09	\$1.13
Lawn Seating	\$1.00	\$1.03	\$1.06	\$1.09	\$1.13
Gross Merchandise Revenue	\$217,600	\$210,120	\$209,209	\$200,625	\$198,990
Profit Margin	20%	20%	20%	20%	20%
Net Merchandise Revenue	\$43,520	\$42,024	\$41,842	\$40,125	\$39,798
Team's Share	100%	100%	100%	100%	100%
<b>Team's Merchandise Revenue</b>	<b>\$43,520</b>	<b>\$42,024</b>	<b>\$41,842</b>	<b>\$40,125</b>	<b>\$39,798</b>

(1) Includes both general admission and premium seating attendance.

Per capita spending on merchandise is estimated to be \$1.00 per person per game. Net merchandise revenue generated from minor league baseball games is estimated to be \$43,520 in the first year of operations, decreasing to \$39,798 by the fifth (or stabilized) year of ballpark operations.

### Parking

The site chosen for a new ballpark will impact the amount of parking that is provided on-site and under the control of the ballpark operator. For purposes of this analysis, it is estimated that the minor league baseball team will control 200 on-site parking spaces at a new ballpark. It is anticipated that these spaces will be used for premium seating

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patrons, team and player personnel and that no revenues will be generated from minor league baseball game-day parking from these spaces.

### *Non-Tenant Events*

It is anticipated that a new ballpark could attract approximately 60 to 80 non-tenant events consisting of college baseball, high school baseball, other sports, concerts and other such events. It is estimated that a new ballpark could generate \$72,410 in net revenue from ticket, concession, merchandise and parking charges in the first year of operations, increasing to \$81,498 by the fifth year of ballpark operations.

### **Estimated Non-Tenant Revenues Wilmington Braves**

	<b>College Baseball</b>	<b>High School Baseball</b>	<b>Other Sports Events</b>	<b>Concerts</b>	<b>Other Events</b>	<b>Total</b>
Total Events	4	10	2	1	45	<b>62</b>
Average Turnstile Attendance	750	500	1,500	4,500	500	<b>38,000</b>
Ticket Revenue, net	\$2,700	\$2,250	\$2,250	\$15,750	\$16,875	<b>\$39,825</b>
Concession Per Cap <sup>(1)</sup>	\$3.50	\$2.50	\$3.50	\$10.00	\$8.00	<b>\$3.44</b>
Concession Revenue, net	\$5,313	\$6,325	\$5,313	\$22,771	\$91,082	<b>\$130,805</b>
Merchandise Per Cap <sup>(1)</sup>	\$0.50	\$0.50	\$0.50	\$5.00	\$0.50	<b>\$0.02</b>
Merchandise Revenue, net	\$75	\$125	\$75	\$0	\$563	<b>\$838</b>
Parking Revenue, net	\$2,125	\$5,313	\$1,063	\$0	\$31,875	<b>\$40,375</b>
<b>Total Net Revenue</b>	<b>\$10,213</b>	<b>\$14,013</b>	<b>\$8,701</b>	<b>\$38,521</b>	<b>\$140,395</b>	<b>\$211,842</b>

(1) Weighted average per cap based on various seating areas including suites, club seats, corporate seats, box seats, general admission and lawn seating.

### *Other Revenues*

Other revenues include fees charged for midway games, providing various services to facility users, non-game day merchandise sales, ticketing charges, revenues from broadcasting, and other such sources. Other revenues are estimated to total approximately \$125,000 in the first year of operations of a new ballpark, increasing to \$140,689 by the fifth (stabilized) year of operations.

### **Operating Expenses**

Operating expenses typically include front-office salaries, annual lease payments, ballpark operations, baseball operations and game-day expenses. A brief description of each major source of expense is provided below.

### *Front Office*

Front office expenses include salaries and wages for full-time and part-time non-game day personnel. Based on the staffing levels of similar minor league teams, it is estimated that a minor league baseball team in Wilmington will have 20 front office employees, including a general manager, director of sales, director of stadium operations, director of media relations and director of ticket operations. In a new ballpark, it is estimated that front office expenses would total approximately \$1.5 million, increasing three percent per year.

### *Ballpark Operations*

Ballpark operating expenses typically consist of repairs and maintenance, materials and supplies, utilities, advertising, general and administrative and insurance expenses. Ballpark operating expenses are estimated to total approximately \$1.2 million, increasing three percent per year.

### *Game Day Expenses*

Game-day expenses include costs associated with game presentation including ticket takers, ushers, security, EMT, broadcasters, in-game entertainment and other such costs. Game-day costs in a new ballpark are estimated to total approximately \$8,500 per game, or approximately \$578,000 per year, increasing three percent annually.

### *Baseball Operations*

The majority of team expenses will be paid for by the Atlanta Braves, including player salaries, coaches and certain equipment (approximately \$950,000). Baseball operations expenses incurred by the minor league baseball team in Wilmington will include travel, meals, equipment, supplies and other expenses. Baseball operating expenses are estimated to total approximately \$500,000, increasing three percent per year.

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### *Ballpark Rent*

Based on a review of lease terms for comparable minor league teams and the terms of the initial proposal from the potential team ownership group, it is assumed that the minor league baseball team would pay rent in the amount of \$400,000 per year, increasing by three percent annually.

### *Property Taxes*

For purposes of this analysis, it is assumed that the City would own the ballpark, but that the Braves/Mandalay would be required to pay property taxes on the ballpark because of its long-term lease. The property tax payment is estimated to be \$350,910 (both City and County) in the first year of ballpark operations.

### *Capital Reserve*

Industry standards recommend that a capital reserve be established to fund future major capital repairs or improvements beyond routine maintenance and repairs. It is recommended that a reserve be established in the amount of 0.5 percent of project costs in the initial year of operations, with annual contributions increasing three percent annually thereafter. Assuming a ballpark project cost (excluding land and offsite infrastructure) of \$35 million, it is estimated that a capital reserve would need to be funded in the amount of \$175,000 per year.

For purposes of this analysis, it is assumed that the Braves/Mandalay would pay one-half the capital reserve funding each year, or \$87,500 increasing three percent annually thereafter. It is envisioned the City would fund its share of a capital reserve contribution through a ticket surcharge on ballpark admissions. The City may levy up to a \$1.00 surcharge per paid admission for purposes of funding a capital reserve.

## Summary

The table on the following page summarizes the estimated operating revenues and expenses for a minor league baseball team playing in a new ballpark in Wilmington.

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### Estimated Revenues and Expenses Wilmington Braves

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	2014	2015	2016	2017	2018
<b>REVENUES</b>					
Ticket Sales, net	\$2,656,465	\$2,614,526	\$2,583,992	\$2,527,390	\$2,465,067
Food and Beverage, net	1,040,577	1,031,423	1,072,645	1,041,191	1,038,927
Merchandise, net	44,358	43,048	43,049	41,368	41,078
Parking, net	40,375	46,927	52,771	52,771	52,771
Premium Seating, net	220,877	227,503	234,328	241,358	248,599
Sponsorships, net	1,260,000	1,297,800	1,336,734	1,376,836	1,418,141
Naming Rights, net	270,000	278,100	286,443	295,036	303,887
Other	125,000	128,750	132,613	136,591	140,689
<b>TOTAL REVENUES</b>	<b>5,657,651</b>	<b>5,668,077</b>	<b>5,742,574</b>	<b>5,712,541</b>	<b>5,709,159</b>
<b>EXPENSES</b>					
Front Office	1,500,000	1,545,000	1,591,350	1,639,091	1,688,263
Ballpark Operations	1,200,000	1,236,000	1,273,080	1,311,272	1,350,611
Game Day Expenses	578,000	595,340	613,200	631,596	650,544
Baseball Operations	500,000	515,000	530,450	546,364	562,754
Ballpark Rent	400,000	412,000	424,360	437,091	450,204
Property Taxes	350,910	342,137	333,365	324,592	315,819
Capital Reserve	87,500	90,125	92,829	95,614	98,482
<b>TOTAL EXPENSES</b>	<b>4,616,410</b>	<b>4,735,602</b>	<b>4,858,633</b>	<b>4,985,619</b>	<b>5,116,677</b>
<b>NET INCOME FROM OPERATIONS</b>	<b>\$1,041,241</b>	<b>\$932,474</b>	<b>\$883,941</b>	<b>\$726,923</b>	<b>\$592,482</b>
<b>OPERATING MARGIN (1)</b>	<b>18%</b>	<b>16%</b>	<b>15%</b>	<b>13%</b>	<b>10%</b>

(1) Before debt or costs associated with franchise acquisition, start-up or relocation costs.

In the first year of operations, it is estimated that the minor league baseball team could generate approximately \$5.7 million in revenues and incur approximately \$4.6 million in expenses, resulting in a net operating income of approximately \$1.0 million before debt service or taxes. Upon stabilized operations in the fifth year of operations, the minor league baseball team net income from operations is expected to approach \$600,000 per year.

An important component in assessing whether a public-private partnership is a “fair” deal is an understanding of the private sector’s potential return on investment. As private businesses, the Atlanta Braves and Mandalay Baseball Properties make investment decisions for minor league baseball teams and ballparks based on its expected rate of return necessary to take the risk of acquiring a team, relocating the team another market, constructing a stadium and operating a team and ballpark throughout their lease commitment. The following table presents a summary of the

## 8. Financial Projections

estimated rate of return that the Braves/Mandalay could earn, assuming a total investment of \$12 million in franchise acquisition, startup and relocation costs.

### Internal Rate of Return Estimate Braves/Mandalay

**Braves/Mandalay's Estimated Internal Rate of Return**  
**7.1%**

Year	Cash Inflow (Outflow)	Year	Cash Inflow (Outflow)
2012 Franchise Acquisition	(\$8,500,000) (1)	2023 Year 10	\$783,164
2013 Start-Up Costs	(\$4,000,000) (1)	2024 Year 11	\$832,245
2014 Year 1	\$1,041,241	2025 Year 12	\$871,664
2015 Year 2	\$932,474	2026 Year 13	\$912,003
2016 Year 3	\$883,941	2027 Year 14	\$953,288
2017 Year 4	\$726,923	2028 Year 15	\$995,549
2018 Year 5	\$592,482	2029 Year 16	\$1,049,369
2019 Year 6	\$637,475	2030 Year 17	\$1,093,669
2020 Year 7	\$672,684	2031 Year 18	\$1,139,035
2021 Year 8	\$708,685	2032 Year 19	\$1,185,499
2022 Year 9	\$745,504	2033 Year 20	\$17,045,598 (2)

(1) Information provided by the Braves/Mandalay. Further analysis/verification of these costs may be required.

(2) Assumes franchise is sold at the end of 20 year initial lease term assuming a 3% annual increase in franchise value.

As depicted above, assuming an initial investment totaling \$12 million, the anticipated annual income from operations from operating the team and ballpark over 20 years and the sale of the franchise at the end of the 20-year initial lease term, it is estimated that the Braves/Mandalay would earn an approximate 7.1 percent return on their investment.